ANNUAL REPORT

The Great West Saddlery Company Ltd.

FISCAL YEAR ENDING DECEMBER 31st, 1940

PURVIS HALL
LIBRARIES
FEB 6 1946
McGILL UNIVERSITY

ANNUAL REPORT

To the Shareholders:

Your Directors have pleasure in submitting the balance sheet of your Company as at December 31st, 1940, and the profit and loss and earned surplus accounts, which, together, show results of operations for the fiscal year ended December 31st, 1940.

Operating profits for the year ended December 31st, 1940, after bond interest, but before depreciation and income tax, amounted to $105,916.00

After setting aside an amount of 24,000.00
for depreciation of buildings and machinery, and providing for income taxes of 33,000.00
there is a net profit of 48,916.00
which has been carried to earned surplus account.

We think that the year's operations must be regarded as satisfactory, particularly in view of the fact that the economic background has been somewhat mixed. While the 1940 wheat crop was the second largest on record, low prices and storage difficulties limited the returns to the farmer. According to the Dominion Bureau of Statistics, 1940 cash income from the sale of all farm products in the three Prairie Provinces was 3% less than in 1939. Nevertheless, your Company's sales in 1940 were at a higher level than in 1939.

Dividends paid on the 6% First Preference Stock in 1940 totalled $3.00 per share, or at the rate of 6% on the par value of $50 per share. In addition, a quarterly dividend of 75 cents per share was declared out of 1940 profits on December 10th, payable January 2nd, 1941. Following this payment, accumulated arrears of First Preference dividends were $1.50 per share.

Net working capital as of December 31st was 912,763.00
Current assets were approximately 4.1 times current liabilities.

The operations of the Sinking Fund during the year resulted in a reduction of $46,000 in par value of First Mortgage Bonds outstanding.

Your Directors wish to express their appreciation of the efforts and loyal co-operation of the General Manager, Mr. D. J. Hutchings, the Assistant Manager, Mr. J. C. Broadfoot, and all the members of the Staff throughout the year.

On behalf of the Board,

H. E. COCHRAN,
Vice-President.

Winnipeg, Manitoba,
February 10th, 1941.

The Great West Saddlery Company Limited

STATEMENT II

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31st DECEMBER, 1940

Profit from operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income Taxes		$ 147,101.56
Deduct Executive Salaries	$ 21,250.00	
Directors' Fees	200.00	
Bond Interest	20,235.49	
		41,685.49
Profit before providing for Depreciation and Income Taxes		$105,416.07
Deduct Provision for Depreciation	$ 24,000.00	
Dominion and Provincial Income and Excess Profits Taxes, estimated	33,000.00	
		57,000.00
		$ 48,416.07
Profit from sale of Investments		500.00
Net Profit for the year, subject to additional Excess Profits Tax, if any, carried to Surplus Account (Statement III)		$ 48,916.07

STATEMENT III

STATEMENT OF EARNED SURPLUS
FOR THE YEAR ENDED 31st DECEMBER, 1940

Surplus at 31st December, 1939	$ 71,004.66
Dividends paid and payable, being five quarterly dividends of 1½% on First Preference Stock for the fifteen months ended 30th June, 1940	26,220.00
	$ 44,784.66
Net Profit for the year ended 31st December, 1940, per Statement II	48,916.07
Surplus at 31st December, 1940, subject to additional Excess Profits Tax, if any, carried to Statement I	$ 93,700.73

ERY COMPANY LIMITED

st DECEMBER, 1940

ENT I

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:		
Bank Loan (Secured)	$ 94,000.00	
Bank Overdraft	66,531.10	
Accounts Payable and Accrued Charges:		
Trade and Sundry	87,464.82	
Dominion and Provincial Taxes Payable	1,510.49	
Estimated Income and Excess Profits Taxes	33,275.03	
Bond Interest Payable and Accrued	7,165.00	
Dividends Payable	5,244.00	
		$ 295,190.44
FIRST MORTGAGE 20 Year 6% Sinking Fund Gold Bonds, due 1948		
Authorized	$1,000,000.00	
Issued	$850,000.00	
Less Redeemed	525,500.00	
		324,500.00
RESERVE FOR SUNDRY CONTINGENCIES		16,937.50
RESERVE FOR DEPRECIATION		88,278.00
CAPITAL:		
Authorized:		
6,992 Shares 6% Cumulative Redeemable (at Company's option) First Preference Stock of $50.00 each	$349,600.00	
1,158 Shares 6% Cumulative Redeemable (at Company's option) Second Preference Stock of $50.00 each	$ 57,900.00	
Common Stock of no Par Value	40,000 Shares	
Issued:		
6,992 Shares First Preference Stock	$349,600.00	
1,158 Shares Second Preference Stock	57,900.00	
39,871 Shares Common Stock	806,016.28	
		1,213,516.28
EARNED SURPLUS (Subject to additional Excess Profits Tax, if any)		93,700.73
		$2,032,122.95

NOTE: Cumulative Dividends are in arrears:
On First Preference Stock, from 30th June, 1940.
On Second Preference Stock, from 31st March, 1938.

REPORT

), and, in accordance with the requirements of the Companies Act (Dominion) we report that we have obtained all the information and e affairs of the Company at 31st December, 1940, according to the best of our information and the explanations given to us, and as shown hich in the opinion of the Directors is adequate.

GEORGE A. TOUCHE & CO.,
Chartered Accountants, Auditors.

THE GREAT WEST SADDL

BALANCE SHEET AT 3

STATEM

ASSETS

CURRENT ASSETS:		
Cash on Hand		$ 5,420.12
Accounts Receivable	$473,105.27	
Less Reserve	19,528.31	
	$453,576.96	
Relief Orders (payable out of funds provided by Dominion and Provincial Governments)	11,687.95	
		465,264.91
Raw Materials, goods in process, finished stock, and supplies on hand as per inventories, valued on the basis of cost or market, whichever is the lower, as determined from cost and other records and certified by responsible officials, less Reserve		737,268.74
MORTGAGES, AGREEMENTS FOR SALE AND SUNDRY SECURITIES		2,191.13
PROPERTIES ACQUIRED THROUGH LIQUIDATION OF COLLATERAL		4,002.00
FIXED ASSETS:		
Land, Buildings, Plant, Machinery and Equipment at depreciated values based on appraisal by Sterling Appraisal Co. Ltd., dated 10th February, 1928, with subsequent additions at cost, less Depreciation Reserve provided to 31st December, 1936		807,058.83
DEFERRED CHARGES, prepaid insurance, etc.		5,464.42
EQUITY IN RECIPROCAL INSURANCE EXCHANGES	$ 12,951.80	
Less Reserve	7,500.00	
		5,451.80
GOODWILL		1.00
		$2,032,122.95

Approved on behalf of the Board:
H. E. COCHRAN, Director.
D. J. HUTCHINGS, Director

AUDITORS'

To the Shareholders of
The Great West Saddlery Company Limited, Winnipeg

We have examined the books and accounts of The Great West Saddlery Company, Limited, for the year ended 31st December, 1 explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of by the books of the Company. Depreciation, provided at the usual rates, is now based on the reduced values as shown in the Balance Sheet,

Winnipeg, 30th January, 1941.

The Great West Saddlery Company Ltd.

DIRECTORS

H. E. COCHRAN, Toronto

A. G. A. SPENCE, Toronto

A. E. HOSKIN, K.C., Winnipeg

H. R. DRUMMOND-HAY, K.C., Winnipeg

D. J. HUTCHINGS, Winnipeg

J. C. BROADFOOT, Winnipeg

OFFICERS

Vice-President ..... H. E. COCHRAN

Vice-President ..... A. G. A. SPENCE

Vice-President and General Manager ..... D. J. HUTCHINGS

Secretary-Treasurer and Assistant General Manager ..... J. C. BROADFOOT

General Sales Manager ..... J. B. GRAY

Branch Managers:

Edmonton ..... M. H. WITTERS

Calgary ..... E. O'CONNOR

Saskatoon ..... J. POWER

Regina ..... G. C. AVISON

Winnipeg ..... J. W. STINSON